

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

CABINET

16 MARCH 2023

**Joint Report of the Executive Director for Children's Services and Interim
Director of Finance and ICT**

**Early Years Block Funding Settlement 2023-24
(Education)**

1. Divisions Affected

1.1 County-wide.

2. Key Decision

2.1 Yes, this is a key decision that will determine the early years-funded allocations of schools and early years providers across all divisions and communities within Derbyshire.

3. Purpose

3.1 To inform Cabinet of the Early Years settlement of the Dedicated Schools Grant (DSG) and the related decisions of the Schools Forum, and to seek approval to the Early Years funding formula for 2023-24.

4. Information and Analysis

4.1 Settlement – Key Points

The early years funding rates for 2023-24, and implied funding totals, were published by the Department for Education on 16th December 2022. The allocations are summarised in Table 1 below details of the purposes of each element are provided in Appendix 2.

Table 1 – Early Years Indicative Settlement 2023-24

Item	2023-24	2022-23	
Early Years Block:			
No. 3 & 4 year olds - universal prov'n (part time equiv, PTE)	9,399.71	9,465.53	
Universal entitlement - 3 & 4 year old hourly rate	£4.80	£4.61	
Sub total universal hours 3&4 yr old funding (£m)	25.718	24.873	
Universal entitlement - 3 & 4 year old TPPG	0.375		
No. 3 & 4 year olds - add'l 15 hours for working parents (PTE)	4405.54	4,219.72	
Additional entitlement - 3 & 4 year old hourly rate	£4.80	£4.61	
Sub total additional hours 3&4 yr old funding (£m)	12.054	11.088	
Additional entitlement - 3 & 4 year old TPPG	0.176		
Total hours 3& 4 yr old funding – Passporting baseline	38.322	35.961	a
Other Early Years allocations:			
Maintained Nursery School (MNS) Grant (£m)	1.031	0.984	
Maintained Nursery School (MNS) Grant (£m) TPPG	0.149		
Funding for disadvantaged 2 year olds (£m)	4.650	4.032	
Early Years Pupil Premium (£m)	0.501	0.464	
Early Years Disability Access Fund (£m)	0.258	0.208	
Sub total – Other EY allocations	6.588	5.688	b
TOTAL EARLY YEARS BLOCK (£m)	44.910	41.649	c=b+a

The published allocations in Table 1 have been based on January 2022 census data. The actual early years quantum for 2023-24 will be driven by the January 2023 and January 2024 census data.

From 2023-24, the teachers' pay grant and teachers' pensions employer contribution grant (TPPG) are no longer being paid directly to school-based nurseries, and instead this funding has been rolled into the overall quantum of 3 and 4 year old entitlement funding. As with all other supplements, it is for local authorities to determine the appropriate metric for allocating funding, however, the DfE encourages local authorities to consider the purpose for which the grants were originally introduced when designing their approach. With that in mind, Derbyshire proposes to continue to target the funding to take account of additional pressures that providers face from the need to pay increased employer contributions to the teachers' pension scheme.

No technical changes to the distribution of funding have been announced for 2023-24, LAs will therefore continue to have to meet a passporting test which requires that at least 95% of the universal and additional hours funding for 3 and 4 year olds must be delegated to providers with a maximum of 5% allowed to be held centrally.

The levels of Early Years central budgets are a matter for the Schools Forum and these were considered and agreed at its meeting on 30th January 2023. The early years formula is a matter for the Authority and must include a basic hourly rate and a deprivation indicator, in addition LAs can include indicators for rurality/sparsity, flexibility, quality and a lump sum for nursery schools.

4.2 Early Years Single Funding Formula (EYSFF)

This is the basis for funding nursery schools, nursery units attached to mainstream schools and private, voluntary and independent early years provision. The formula must include a basic hourly rate for all providers and a deprivation indicator, in addition LAs can include indicators for rurality/sparsity, flexibility, quality and a lump sum for nursery schools.

The proposed changes for 2023-24 are as follows:

- (i) A universal & extended hourly rate of £4.47, an increase of £0.17 (3.95%);
- (ii) An enhanced hourly rate for nursery schools of £0.58, an increase of £0.02 (3.57%),
- (iii) The existing deprivation multiplier to increase to £1.35 per hour per eligible child in line with the increase in Early Years Pupil Premium, which applies to the same cohort of children, i.e. an increase of 3.32% in 2023-24;
- (iv) A nursery school lump sum of £95,500, an increase of £3,000 (3.24%). This would be in line with the increase for mainstream schools and academies.
- (v) A supplement will be introduced for the former TPPG grant at an hourly rate of £0.35 for nursery schools and £0.24 for other school settings. This will be funded via universal and extended hours for these settings.

The estimated costs of applying the above EYSFF multipliers to the January 2023 data used to calculate the income in Table 1 are set out in Table 2.

Table 2 – EYSFF Allocations 2023-24

	Nursery schools	Nursery units	PVI	Total	
Proposed Universal/additional hourly rate	£4.47	£4.47	£4.47		
Proposed Enhanced hourly rate	£0.58	£0.00	£0.00		
Proposed supplement	£0.35	£0.24	£0.00*		
Proposed Overall hourly rate	£5.40	£4.71	£4.47		A
3&4 year olds universal hrs	543	3167	5690	9400	B
3&4 year olds additional hrs	192	874	3340	4406	C
Delegated funding	£m	£m	£m	£m	
Universal allocation	1.563	8.069	14.498	24.130	=AxBx570hrs
Additional hours allocation	0.553	2.226	8.509	11.288	=AxCx570hrs
TPPG allocation	0.149	0.551	0.000	0.700	
Subtotal - hourly rate allocations	2.265	10.846	23.007	36.118	
Formula supplements:					
Lump sum	0.764	0.000	0.000	0.764	
Deprivation	0.094	0.615	0.382	1.091	
Rates	0.075	0.000	0.000	0.075	
Subtotal - formula supplements	0.933	0.615	0.382	1.930	
Contingency – delegated	0.057	0.000	0.000	0.057	
Total delegated funding	3.255	11.461	23.389	38.105	

4.3 Early Years Central Budgets

At its meeting on 30th January 2023 the Schools Forum agreed the central early years budgets in Table 3 below. The allocations meet the DfE's passporting test.

Table 3 – Central Early Years Budgets 2023-24

	Proposed 2023-24	Approved 2022-23
Service	£m	£m
Early Years Improvement Service	1.316	1.267
Early Years SEN Service (part, balance funded by High Needs Block)	0.067	0.058
Nursery school licences & misc funds	0.013	0.013
Total	1.396	1.338
Proportion of funding allocated for central EY service (for passporting purposes)	3.64%	3.72%

Cabinet is asked to note the decisions of the Schools Forum in respect of central early years budgets for 2023-24.

4.4 Early Years – Overall funding and passporting tests

The cost of the proposed allocations in sections 4.2 and 4.3 would fully allocate the grant, excluding the Pupil Premium, 2 year old funding and the Disability Access funds, as shown in Table 4 below.

Table 4 – Summary of estimated income and proposed spend 2023-24

	Cost
	£m
Delegated Allocations per Table 2	38.105
Central Budgets per Table 3	1.396
Total spend	39.501
Universal/additional hours grant – Table 1	38.322
Maintained Nursery School grant – Table 1	1.179
Total grant	39.501

The comparison in Table 4 shows a balanced financial position, however, both the income and proposed delegated allocations are based on the hours in the settlement. The actual levels of income and expenditure in 2023-24 will be largely determined by the number of hours of provision recorded on the census returns. If the number of hours provided were to fall, this would result in a deficit being incurred as the marginal loss of grant (funded at £4.80 per hour) would be greater than the reductions in allocations to providers (mainly funded at £4.47 per hour). Equally, if the hours were to increase, then the reverse would be true and an underspend would be generated. Any over or underspend would need to be considered in future DSG allocation decisions.

5. Consultation

- 5.1 The proposals were shared with the Schools Forum in January 2023 and were generally supported. The Schools Forum determined the level of centrally held early years budgets.

6. Alternative Options Considered

None.

7. Implications

Appendix 1 sets out the relevant implications considered in the preparation of the report.

8. Background Papers

- 8.1 Schools Funding settlement announcement 16th December 2022

9. Appendices

9.1 Appendix 1 - Implications.

9.2 Appendix 2 – Early Years Funding Components 2023-24

10. Recommendation(s)

That Cabinet:

- a) Notes the national early years funding rates for 2023-24;
- b) Notes the changes in TPPG funding arrangements and funding rates for 2023-24
- c) Approves the changes to the Early Years Single Funding Formula allocations for 2023-24 as set out in section 4.2; and
- d) Notes the central early years budgets approved by the Schools Forum.

11. Reasons for Recommendation(s)

11.1 To ensure the Authority meets its statutory obligations in determining early years allocations for 2023-24.

12. Is it necessary to waive the call in period?

12.1 No.

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Implications

Financial

- 1.1 As set out in the report. The cost of the proposed allocations in sections 2.2 and 2.3 would fully allocate the hours-based funding for 3 and 4 year olds and the Maintained Nursery School Grant. However, both the income and proposed delegated allocations are based on the hours in the settlement. The actual levels of income and expenditure in 2023-24 will be largely determined by the number of hours of provision recorded on the census returns.

Legal

- 2.1 The proposed allocations are in line with DfE Guidance at:
<https://www.gov.uk/government/publications/early-years-funding-2023-to-2024/early-years-entitlements-local-authority-funding-operational-guide-2023-to-2024>

Human Resources

- 3.1 None

Information Technology

- 4.1 None

Equalities Impact

- 5.1 None

Corporate objectives and priorities for change

- 6.1 The proposals will support the Council's objective to work creatively together to inspire and empower children, young people and their families and communities to be the best they can be: safe, healthy, happy, learning and working.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

- 7.1 None

Universal/additional hours for 3 and 4 year olds - For 2023-24 all LAs will receive a £0.19 increase on their unprotected EYFF hourly rate. Where the resultant hourly rate is less than £4.61 per hour LAs will be guaranteed £4.80 via protection arrangements. Derbyshire's increase for 2023-24 equates to 4.12%

Funding for disadvantaged 2 year olds – the rates for all LAs have increased by £0.06 per hour, Derbyshire's 2023-24 rate being £5.63 (from £5.57) an increase of 1.08%. This funding is provided as part of a national scheme to support eligible pupils access childcare.

Early Years' Pupil Premium (EYPP) - the DfE have also confirmed that the national rate for 2023-24 will be £0.62 per eligible child per hour an increase of £0.02 (3.2%) on 2022-23. The EYPP gives providers extra funding to support eligible 3 & 4 year olds for up to 15 hours per week.

Disability Access Fund (DAF) - the 2023-24 rate is £828 per eligible child per year, an increase of £28 (3.4%) on 2022-23. DAF supports 3 & 4 years olds in receipt of nursery entitlement and Disability Living Allowance to access provision.

Maintained Nursery Schools (MNS) grant – supports the higher operational costs of nursery schools. The £1.180m for 2023-24 includes £0.149m for TPPG. The 2023-24 grant has been calculated as the number of universal hours per year multiplied by £3.81 per hour, which includes £0.48 for TPPG. The unit rate, excluding the roll in of TPPG, is £0.10 (3.4%) higher than 2022-23.